

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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## School Property Tax Control Board Meeting Minutes April 17, 2008

**Call to Order:** The monthly meeting of the School Property Tax Control Board was held on Thursday, April 17, 2008. The meeting was held in the Indiana Government Center South, Conference Center Room A, 302 West Washington Street, Indianapolis, IN 46204. Those in attendance were Richard Besinger, David Bowen, Debbie Hine, Morris Mills, Tony Samuel, Paul Joyce, Chuck McLean (Administrative Officer), and Linette Pedigo (Administrative Secretary).

**Minutes and Discussion:** Mr. Mills asked if there were any comments regarding the minutes from the March 20, 2008 meeting, and hearing none, Ms. Hine motioned to approve the minutes. Mr. Bowen seconded and the minutes were approved by a vote of 6-0.

**Goshen Community Schools, Elkhart County:** The school is requesting an approval to execute a lease in the amount of \$41,930,000 with maximum annual rental payments to be \$3,990,000 for a term of twenty four (24) years. The project consists of constructing a new 5<sup>th</sup>/6<sup>th</sup> grade building; renovation and construction of additional food service preparation and serving areas at the Middle School; renovation and construction of additional music facilities; converting the present office area into classrooms; and constructing new offices at the High School.

Project costs: \$41,930,000  
Applied to Debt: 0  
Annual Payment: \$1,150,000

Tax Rate Impact:  
2007 AV                      \$1,480,427,050  
Levy Needed                \$2,160.000  
Est. Tax Rate                .7152

Meeting and publication dates:	
Date of publication of the 1028 Hearing	12/05/2007
Date of Hearing of the 1028 Hearing	12/17/2007
Date of the Notice for the Preliminary Determination Hearing	12/17/2007
Preliminary Determination Hearing	12/17/2007
Date of Publication of the Preliminary Determination	01/05/2008

Auditor's Certificate of No Remonstrance  
Proof of Publication of Notice on Hearing of Lease  
Excerpts & Minutes approving form of lease

02/11/2008  
12/12/2007  
04/14/2008

Common Construction Wage Hearing held 03/17/08

**Present for the hearing:** Bruce Stahly, Superintendent; Randy Robertson, School Board President; Randy Ruhl, City Securities Group; Jane Herndon, Ice Miller; Phillip Wink, OMS; Bodie Stegelmann, Goshen; Dave Clendening, Goshen Schools; Laurie Nafziger, Goshen Schools; and Diane Woodforth, Goshen Schools

**Comments:** Mr. Bruce Stahly began by stating that they are here because of enrollment and continued growth. The size of their middle school will soon be the largest in the State. They will be over capacity within the next three to four years. This year they had to go to four lunches, which cut down on some instructional time for the students. He added that they are also trying to implement full-day kindergarten in all of their buildings. They have enough classrooms, but that would mean that in some buildings the art room, the music room, or the computer lab will also have to be used as a classroom. These needs were identified as long ago as 1996, when there was a study done and considerable construction as well. He added that there was a feasibility study done in 2003 which showed that they were still short on music space in the high school. Mr. Stahly said there were then three things facing them: enrollment, shortage of space at the high school, and having to serve four lunches and being short of space at the middle school. He then stated that the most recent feasibility study gave its recommendation to the School Board in June of 2007. They studied many different options, but they came forth with the plan of building a new 5-6 building and adding on to the high school. There they would add new music facilities and redesign the existing facilities, and they would build a new administration area.

Mr. Stahly continued and said that they had numerous community meetings with press coverage, at which time nobody spoke out against this project. During this time, the Board decided to scale back the project some.

Mr. Stahly said that now, the present office area at the high school will be turned in to a large computer area. With the music area, they will make a large band and orchestra area and then move the vocal music in to the present band room and reorganize it. He added that the high school will have an IB program, and part of that program will be the music program. They do have a small music room built off of the band room that will act as the IB classroom. The other project that costs the most money is the construction of the new intermediate school.

Mr. Stahly went on to state that they were using level payments, so the tax impact that they had indicated early on was greater than what the tax impact came to be at the 1028 hearing. They tried to save on capitalized interest by doing this project in two phases. He said they have a stepped lease on this project of about \$1 million. The early payments for this project will be about \$2.9 million, and then in 2017 the payments will go to \$3.9 million. He added that they showed the tax impact for not only this project, but for the operating expenses as well.

Mr. Stahly then addressed the Circuit Breaker. He said that at first they were slated to lose around \$1.1 million in 2009 and 2010, but through some legislative actions, that number went down to roughly \$317,000 the first year and \$750,000 the second year. He added that their goal is to not hurt the City of Goshen; they work together.

Mr. Stahly then summarized that with this project, Goshen Schools will not need to build anything for the next 10 years. They will have handled their enrollment and their facility needs. He added that the timing for this construction could not be better because competition for bids is better now than it has ever been. He said he knows it is bad timing as far as taxes go, but not for the economy, community development and what one gets for the dollars spent.

Mr. Bowen asked why there is no construction process listed for them wanting to accommodate full-time kindergarten. Mr. Stahly said they are pulling the fifth grade out so they will have that space.

Mr. Besinger then asked why they have the intermediate school listed as having grades 5-6 and the middle school as having grades 6-8. Mr. Stahly said that the middle school presently has grades 6-8, but will eventually have grades 7-8 when they pull the 6<sup>th</sup> grade out and put it in the intermediate school. Mr. Besinger asked next why they are wanting to have 25 music rooms in the high school, to which Mr. Stahly replied that those rooms include practice rooms, which are small, storage rooms, one larger practice room, and a classroom. He said it is basically two classrooms that are being divided into smaller spaces, and one add-on for a larger room.

Mr. Besinger stated that their total debt for principal is listed as \$130 million; he asked what the interest is on that total after this project. Mr. Stahly said he did not know, but he did say that the last time they took on a project of this size, the interest was about \$33 million. He added that by upping the principal payments on the high school, they will be paying much less interest. Mr. Besinger then said that their debt service rate is .7008 and their general fund is .62. He said it is a red flag when one is spending more money on buildings than the general fund. He asked if that was a concern, and Mr. Stahly said it is. He added that the reason the general fund rate is lower is because of the funding formula; they are not a high AV school and their complexity index is very high. Mr. Besinger commented that the \$130 million dollar debt has a lot to do with it as well. He then asked about their capital projects and how much money they use for insurance and utilities and such. Mr. Stahly stated that they use about \$1.1 million for utilities. He added that they still have about \$380,000 in general fund that they have to spend on utilities. Ms. Jane Herndon, Bond Counsel, said that the statute only allows them to use that money for utilities. Mr. Besinger said they need to learn to live within their budget.

Mr. Besinger commented next about their ISTEP passing score of 48% and a graduation rate of 78%. He asked why the two scores are so far apart from each other. Mr. Stahly said that has a lot to do with the diversity of the student population; 37% are Hispanic. He said the last time their schools passed on 21 of the 25 categories. At Goshen High School they passed on 24 of the 25 categories. He said that they did not pass in Limited English - English. Mr. Besinger said he understands, but they still need to educate the kids. Mr. Stahly said that is their intent; their teachers and administrators are working very hard.

Mr. Joyce then asked what the opinion of the President of the School Board is, was the vote unanimous, and whether they took in to consideration the impact on the community as a whole. Mr. Randy Robertson, School Board President, answered that the vote was unanimous. He said that Goshen is very conservative, and they are very cognizant of their fiscal responsibilities to the community. They did not ask the teachers what they want; they visited other schools to get ideas. He said he knows that money is tight and he is aware of the issues. They are a middle class to a lower middle class community, but they are just trying to keep their buildings up to date. They are asking for another building, but it is only the second new construction since the 1950's.

Mr. Bowen said this is the most conservative intermediate school they have seen in years. Mr. Robertson said they want a building that they can afford. They want schools that are functional and attractive, but they do not have to have things that are unnecessary.

Mr. Joyce asked what some of the negatives that were said at some of their meetings. Mr. Robertson said the fact that they cut their music program so much because \$10 million dollars is a lot to spend on the music department. He said that now they cannot get the full orchestra in the orchestra room and the sound level does not meet OSHA standards for the instructors. They need more space. He said there were a few people that were concerned about the tax rate, but not many. Most complained about why they were cutting the project already. Mr. Robertson added that they cut a couple science rooms at the middle school too because they weren't needed; they could get by with it. He summarized that they are doing projects that are needed, not ones that are just wanted.

Mr. Stahly added that they are one of the few schools in the state that has an orchestra that is second in the state, vocal music second in the state, and band (wind ensemble) eighth in the state.

Mr. Robertson then touched on Goshen's cultural mix, and how difficult it is for some parents to speak English and to pay taxes.

Mr. Mills stated next that Elkhart County is going to be hit very hard by the Circuit Breaker. He asked if they can dig this out of their school budget. Mr. Stahly said they do not want to hurt the City. If it comes to that and they need to go back and go through a referendum, it may be necessary. Ms. Herndon added that their CPF budget raises over \$3 million per year, so there is enough room in that to offset the Circuit Breaker. Mr. Mills added that that would cause there to be no money for repairs then, and Mr. Stahly said that is a concern. Mr. Stahly said their intent would never be to decrease what they are spending on their General Fund because of the Circuit Breaker.

**Motion:** Mr. Bowen motioned to recommend approval of the lease in the amount of \$41,930,000 with maximum annual payments of \$3,990,000 for a term of 24 years. Ms. Hinline seconded the motion.

Mr. Mills added that he would like the Department of Local Government Finance to figure out the new tax legislation before this project gets approved because this is the first project to come in that has been under the Circuit Breaker.

The motioned was then called to a vote and it failed to carry by a vote of 2-4.

**Additional Comments:** Mr. Besinger wanted to clarify his vote by saying that their debt rate is too high, and their debt with their interest is too high. He believes they are in trouble now because they have been allowed to use debt service for severance pay and take from other funds. He understands that they have to use the funds they can, but it creates problems. He stated that he is consistent in his voting; if a school has a higher tax rate than their general fund, he automatically votes no.

**Flat Rock – Hawcreek School Corporation:** Officials request approval of a lease rental agreement with maximum annual payments of \$1,606,000 for a term of 24 years. Total project costs are \$19,675,000. The tax rate impact is \$0.7000 with no new facility appeal expected. There was an application filed for a petition and remonstrance process. The vote was 1,524 yeas and 542 nays. The school corporation did not modify any part of the project to address taxpayer concerns. The construction cost per square foot for Hope Elementary is 34.39% below the DLGF baseline.

The project involves minor reconfiguration and improvements at the existing Hope Elementary School, major renovation and reconfiguration of Hauser Jr.-Sr. High School, and the construction of a new building between and connected to these two schools which are located on the same site. The Hope Elementary School will become an intermediate school, grades 3-6. The new building will be an elementary school, grades K-2, and also contain some space which will be used by Intermediate and Jr.-Sr. High School students. The existing Cross Cliff Elementary will be removed from service.

Cafeterias and kitchens in Hope and Hauser will be removed and replaced by one kitchen and two cafeterias in the new addition. One cafeteria will serve grades K-6 and the other grades 7-12. The addition connecting the current Hope and Hauser buildings will contain approximately 95,500 square feet and include the following spaces:

- New shared central kitchen (3 existing will be closed)
- New K-6 cafeteria
- New 7-12 cafeteria
- Two new Jr. high science lab/classrooms
- Two new Sr. high science lab/classrooms
- New central HVAC plant for all buildings
- New indoor physical education facilities for K-12 use
- New physical education lockers and storage areas
- New elementary computer labs
- 18 new elementary classrooms
- Teachers workroom
- Fitness center room for fitness equipment
- Additional elementary restrooms
- Additional Jr./Sr. High restrooms
- Central offices

The new central kitchen and cafeterias will be built to meet FEMA 361 shelter recommendations for tornado refuge. The addition allows for central pick-up and drop-off for buses. With the addition, the school is under one roof/campus with a central heating and cooling plant to help reduce long term utility and maintenance costs.

Project Costs: \$19,675,000

Amount applied to debt: \$19,675,000

Annual Payment: \$1,606,000

Tax Rate Impact:

2007 AV	\$198,947,170
Levy Needed	\$1,606,000
Est. Tax Rate	.78

**Present for the hearing:** D. Thomas Miller, School Board Member; Greg Spurling, School Board Member; Bill Lentz, FRHC School; Philip K. Deardorff, Superintendent; Thomas Peterson, Bond Counsel; Lonnie Therber, Financial Advisor; Terry Burnworth, Architect; William Hill, Board Member; John Bante, Board Member; John Baute, Board Member; Charles Wells, Attorney; Darryl J. Imlay, Concerned Citizen; Carolyn Imlay, Community Supporter; Joyce Meier, Supporter and Taxpayer; Jim Meier, Taxpayer; Mary Price, Concerned Citizen; Cheryl Monroe, Educator and Concerned Citizen; Lyman Todd Monroe, Residential Contractor; Lyman K. Monroe, Former Student; and Chrissy Alspaugh, Reporter.

**Comments:** Mr. Lonnie Therber, Financial Advisor, began by stating that he has never felt there was an issue with the Circuit Breaker with Flat Rock; only a minor impact if any. He then explained in depth a handout he created that surmises the Circuit Breaker impact on Flat Rock. He said that what it attempts to do is project the valuation and the levy, exclusive of general, preschool, and special ed funds, and a tax rate in 2011, because 2011 is when the debt service fund rate will be its highest after the addition of this project. He said that other units of government in Bartholomew County, such as Bartholomew County Schools, and their debt service will not be an issue. Anything they do going forward will be the result of a referendum, and money required for that will be outside of the Circuit Breaker. He said he does not know what trending will do. He summarized that Flat Rock can weather the storm based on the information they have without turning it over to the State.

Mr. Mills then asked if there has been any discussion into dividing the project into parts. Mr. Philip Deardorff, Superintendent, answered that the previous Board looked into it, but after speaking with several architects, they found out that dividing it up would cost more, because of an increase in construction costs. The best alternative was to do this in one project and to try and consolidate services as quickly as possible so the end result would be additional savings.

Mr. Besinger asked why the student enrollment figures were changed on the new Hearing Information Sheet. Mr. Deardorff said that the original document they presented in December of 2007 had a much larger capacity because what he did was pack the maximum number of students in to each room and making that the capacity. He added that after reviewing that, they decided

that their best bet was to keep their capacity as it is right now; that is why those numbers changed. Mr. Besinger added that if they cut the enrollment numbers, they should have cut down the size of the building project. Mr. Peterson responded that 18,000 square feet was cut out of the project. Mr. Besinger then stated that at the last meeting they said that they cut down the enrollment by 120 students, and the size of the project by four classrooms. Mr. Deardorff said that was if they kept the numbers at 30 students per classroom. Mr. Besinger said he believes most school corporations do that. Mr. Deardorff said that is why they decided to keep their current numbers of enrollment and also why they revised their Hearing Information Sheet. Mr. Besinger commented that makes their capacity inaccurate; according to the original building project, they should be able to handle 1700 students if they should experience a lot of growth. Mr. Deardorff said that yes, they could pack some more in there, but they are going to do their best to keep their numbers down because they have had good results with that. Mr. Besinger said there are no statistics that show that smaller classes have higher ISTEP scores. Mr. Deardorff said that research done by Dr. Charles Achilles shows that smaller classes lead to that. However, he also points out that schools have to be very cognizant of that because if they get down too low, costs rise. Mr. Deardorff added that right now, they are doing very well with their achievement. He said that they can add more students later on, but right now their goal is to keep their numbers where they are. Mr. Peterson added that Flat Rock is in a predicament as to how many rooms to use and what to count as the capacity. The attempt was to show, in a capacity aspect, what they are doing now and what they see as comfortable numbers.

Mr. Peterson then went on to talk about the operational efficiencies by bringing everything on to one campus. They are going from three kitchens to one, which will save money on personnel and operations. There will be savings by having transportation come to just one location. He said they will be able to consolidate staff; they can go from three nurses to two and from two principals to one for Kindergarten to 6<sup>th</sup> grade. He said everyone has lost sight of these operational savings along the way, and there is more to the cost of a building than just the bricks and mortar; there are operational aspects.

Mr. Mills stated next that the Commissioner of the DLGF must sign this project by tomorrow (April 18, 2008). He said he is not completely sure about the numbers Mr. Therber has come up with; about household values rising 5% a year for the next four years and the fact that they may come under the Circuit Breaker. He added that he would like to know what the other tax levies are that they are competing against to get under the Circuit Breaker.

**Motion:** Mr. Besinger motioned to send the matter to the Commissioner without the Board's approval. Ms. Hineline seconded the motion and it carried by a vote of 4-2, with Mr. Bowen and Mr. Joyce opposed.